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## *Benefits Programs*

### **Compensation and Pensions**

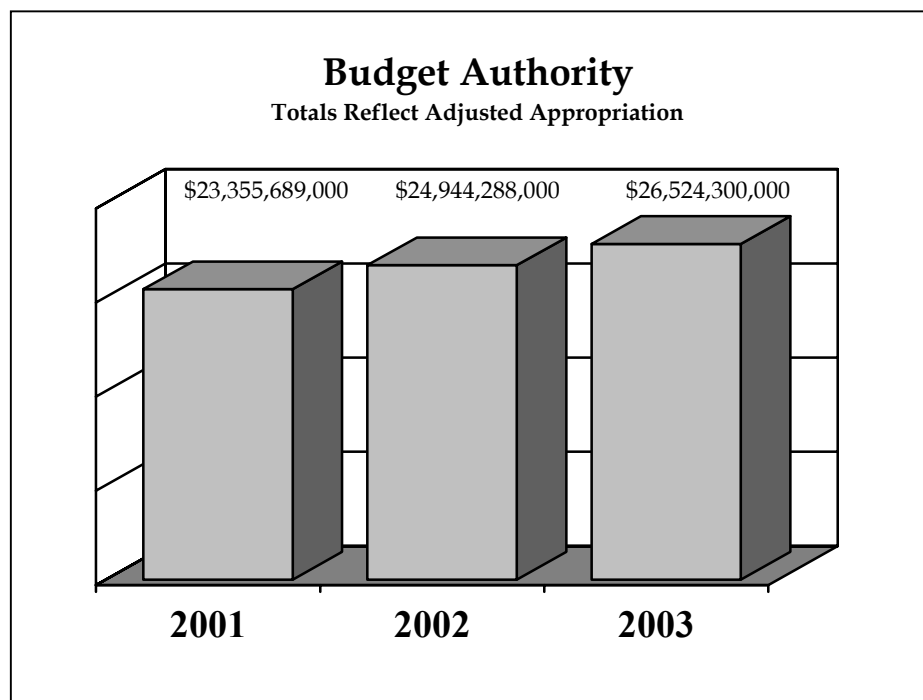
This appropriation provides for the payment of compensation benefits to disabled veterans, certain survivors, and eligible dependent children, pension benefits to wartime veterans rated permanently and totally disabled with limited income and their survivors, and burial and other miscellaneous benefits to certain veterans and their survivors.

Compensation benefits are an entitlement paid either as a disability or a survivorship benefit. Compensation is payable to living veterans who have suffered impairment of earning power from service-connected disabilities. Eligibility criteria for veterans are based upon disabilities either incurred in or aggravated during active military service. The amount of the compensation to the veteran is based upon the disability or combination of disabilities and their impact on earning capacity. Survivors are eligible for benefits if the veteran died while on active duty, or died as a result of disabilities incurred while on active duty. This benefit is intended to compensate for the loss of family income. A clothing allowance is also provided for service-connected veterans who use a prescribed medication for a service-connected skin condition that stains their clothing or use a prosthetic or orthopedic appliance, which tends to wear out or tear the clothing of such veteran. Veterans Benefits and Health Care Improvement Act of 2000, Public Law 106-419, extended special monthly compensation to female veterans who lose a breast due to a service-connected disability, granted compensation benefits to reservists who suffer a heart attack or stroke during training, extended payments for certain birth defects suffered by children born of female Vietnam veterans, and revised estate limitations thresholds for incompetent, institutionalized veterans. Public Law 102-4 added diabetes to the list of service presumptive conditions associated with exposure to herbicides and Public Law 107-103 included diabetes as a presumptive disease in Title 38.

Pensions is a needs based benefit provided to wartime veterans who have been rated permanently and totally disabled, as a result of a non-service-connected disability. Upon the death of the wartime veteran, the surviving spouse and children are eligible for a pension. There are no disability requirements for survivors. The payable amount is determined by the annual countable income, and the number of

dependents of the recipient. Public Law 104-201 transferred administration of the Minimum Income for Widows program from the Department of Defense (DoD) to VA. Funding for the program is provided by an offsetting collection from DoD.

Burial benefits and allowances and other miscellaneous benefits are provided to eligible veterans and their survivors. Burial benefits include headstone, plot and other allowances and flags. Miscellaneous benefits include payments for such categories as emergency officers of World War I and certain other officers' retirement benefits, adjusted service and dependence pay, special allowance dependents' pay, and the Soldiers' and Sailors' Civil Relief insurance programs.



Budget authority of \$26,524,300,000 is requested for 2003 to provide compensation to 2.7 million recipients, pensions to 558 thousand recipients, and 84 thousand burial allowances, and other miscellaneous benefits.

The request for 2003 reflects the December 1, 2002, 1.8 percent compensation cost-of-living increase currently being proposed to the Congress.

The 2003 obligation request for the Compensation and Pensions account is \$1,502 million over the 2002 current estimate. This increase includes the \$279 million that will be required with the enactment of the proposed 2003 COLA.

This increase is also due to increases in caseload and average payments in compensation (\$621 million), the addition of diabetes to the list of presumptive conditions (\$417 million), the annualization of the 2.6 percent compensation COLA

(\$91 million), the effects of Public Law 107-103 which extended the authority to presume service connection for diseases associated with exposure to certain herbicide agents for veterans who served in Vietnam and repealed the limitation on payments of benefits to incompetent institutionalized veterans (\$60 million), the pension COLA (\$59 million), and changes in the burial program (\$11 million); these increases are partially offset by a decrease in caseload and average payment changes in pensions (\$-35 million).

<b><i>Obligations, Budget Authority and Outlays</i></b> <b><i>(dollars in thousands)</i></b>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
Veterans compensation	\$16,528,735	\$17,957,675	\$19,303,703	\$+1,346,028
Survivors compensation	3,651,226	3,799,893	3,921,297	+121,404
Children	13,425	14,094	14,596	+502
Clothing allowance	42,628	43,357	43,721	+364
Payments to GOE (P.L. 102-568)	1,237	1,286	1,267	-19
Medical exams pilot program	26,620	28,820	29,258	+438
<b>Total compensation obligations <sup>1/</sup></b>	<b>\$20,263,871</b>	<b>\$21,845,125</b>	<b>\$23,313,842</b>	<b>\$+1,468,717</b>
Veterans pensions:				
Improved law	\$2,283,692	\$2,328,136	\$2,363,529	\$+35,393
Prior law	36,219	30,687	26,566	-4,121
Old law	284	249	219	-30
Subtotal, veterans pensions	<b>\$2,320,195</b>	<b>\$2,359,072</b>	<b>\$2,390,314</b>	<b>\$+31,242</b>
Survivors pensions:				
Improved law	\$609,109	\$617,645	\$618,278	\$+633
Prior law	74,516	65,325	56,764	-8,561
Old law	933	661	481	-180
Subtotal, survivors pensions	<b>\$684,558</b>	<b>\$683,631</b>	<b>\$675,523</b>	<b>\$-8,108</b>
Minimum income for widows	0	3,444	3,292	-152
Payment to medical facilities (non-add)	(848)	(891)	(937)	+(46)
VBA OBRA reimbursement	7,602	8,564	7,296	-1,268
VHA OBRA reimbursement	5,711	8,090	8,575	+485
<b>Total pension obligations</b>	<b>\$3,018,066</b>	<b>\$3,062,801</b>	<b>\$3,085,000</b>	<b>\$+22,199</b>
Burial allowance	\$32,653	\$34,271	\$35,969	\$+1,698
Burial plots	9,573	17,698	20,732	+3,034
Service-connected deaths	11,143	17,918	18,366	+448
Burial flags	17,018	18,041	18,954	+913
Headstone/markers	27,543	35,068	35,785	+717
Regular graveliners	8,931	8,700	8,300	-400
Pre-placed crypts	4,000	8,400	13,100	+4,700
<b>Total burial obligations</b>	<b>\$110,861</b>	<b>\$140,096</b>	<b>\$151,206</b>	<b>\$+11,110</b>
Retired officers	18	18	19	+1
Special allowance dependents	330	308	284	-24
Equal access to justice	3,314	3,321	3,403	+82
<b>Total miscellaneous obligations</b>	<b>\$3,662</b>	<b>\$3,647</b>	<b>\$3,706</b>	<b>\$+59</b>
<b>Total, C&amp;P appropriation obligations</b>	<b>\$23,396,460</b>	<b>\$25,051,669</b>	<b>\$26,553,754</b>	<b>+\$1,502,085</b>
Unobligated balance: start of year	-170,870	-130,099	-26,162	+103,937
Unobligated balance: end of year	130,099	26,162	0	-26,162
Offsetting collections	0	-3,444	-3,292	+152
<b>Budget authority</b>	<b>\$23,355,689</b>	<b>\$24,944,288</b>	<b>\$26,524,300</b>	<b>+\$1,580,012</b>
<b>Appropriation</b>	<b>\$22,766,276</b>	<b>\$24,944,288</b>	<b>\$26,524,300</b>	<b>+1,580,012</b>
Appropriation, adjusted	\$23,355,689	\$24,944,288	\$26,524,300	+1,580,012
Supplemental	589,413	0	0	0
<b>Outlays</b>	<b>\$21,419,720</b>	<b>\$24,905,643</b>	<b>\$26,420,788</b>	<b>+\$1,515,145</b>

1/ Reflects the impact of the proposed 1.8 percent COLA, effective December 1, 2002.

<i>Administrative Resources Supporting Benefits Service Delivery</i>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
FTE	8,035	8,656	8,762	+106
Total Obligations	\$699,974	\$795,417	\$840,169	+\$44,752

<i>Caseload</i>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
<b>Compensation:</b>				
Veterans	2,310,880	2,364,237	2,431,323	+67,086
Survivors	306,838	310,228	314,384	+4,156
Children	929	949	959	+10
Clothing allowance (non-add)	78,073	79,144	80,650	+1,506
<b>Total compensation</b>	<b>2,618,647</b>	<b>2,675,414</b>	<b>2,746,666</b>	<b>+71,252</b>
<b>Pensions:</b>				
Veterans:				
Improved law	332,027	326,382	322,076	-4,306
Prior law	21,547	18,985	16,306	-2,679
Old law	282	247	217	-30
Subtotal	<b>353,856</b>	<b>345,614</b>	<b>338,599</b>	<b>-7,015</b>
Survivors:				
Improved law	175,122	168,633	162,775	-5,858
Prior law	71,454	63,257	56,029	-7,228
Old law	1,208	875	652	-223
Subtotal	<b>247,784</b>	<b>232,765</b>	<b>219,456</b>	<b>-13,309</b>
Minimum income for widows (non-add)	0	(523)	(488)	(-35)
<b>Total pensions</b>	<b>601,640</b>	<b>578,379</b>	<b>558,055</b>	<b>-20,324</b>
<b>Burial:</b>				
Burial allowances	79,989	81,989	84,039	+2,050
Burial plots	65,777	67,421	69,107	+1,686
Service-connected deaths	8,740	8,959	9,183	+224
Burial flags	502,883	515,455	528,341	+12,886
Headstone/markers	304,296	351,046	354,150	+3,104
Regular graveliners	51,877	48,306	45,187	-3,119
Pre-placed crypts	11,056	26,800	41,000	+14,200
<b>Miscellaneous assistance:</b>				
Retired officers	1	1	1	0
Equal Access to Justice	1,125	1,100	1,100	0
Special allowance dependents	110	100	90	-10

In the compensation program, veteran's caseload shows an increase of 67,086 cases from 2002 to 2003. This trend is expected to continue into the outyears as accessions in caseload in Vietnam, Peacetime, and Gulf War will continue to exceed terminations in earlier periods, particularly World War II.

The pensions caseload is estimated to decline by 20,324 cases. This decrease is program wide. The greatest decline occurs in Improved Law where caseload is estimated to decline by -10,164 cases. The Improved Law program is the only pension program that is still open.

The Burial program will experience an increase in burial allowances of 2,050. Plot allowances increase by 1,686. Increases are also expected for burial flags (12,886) and for pre-placed crypts (14,200).

## **Proposed Legislation**

### **Compensation**

#### **A 1.8 Percent Rate Increase for Compensation Benefits in 2003**

Legislation will be proposed to provide a 1.8 percent rate increase to all compensation beneficiaries, including DIC spouses and children, effective December 1, 2002. The 1.8 percent increase is the expected increase in the Consumer Price Index and is the same increase estimated for Social Security benefits. The cost is estimated to be \$279 million.

**Permanent extension of authority to verify income of beneficiaries with the Internal Revenue Service and the Social Security Administration.** Savings from this extension are estimated to be \$6 million in 2004 and \$54 million through 2012.



## Readjustment Benefits

This appropriation provides for the payment of readjustment and rehabilitation benefits for eligible veterans and servicepersons and for eligible dependents of: (a) those veterans who either died from service-connected causes or have a total and permanent rated service-connected disability; and (b) servicepersons who were prisoners of war or missing in action pursuant to 38 U.S.C. chapter 35.

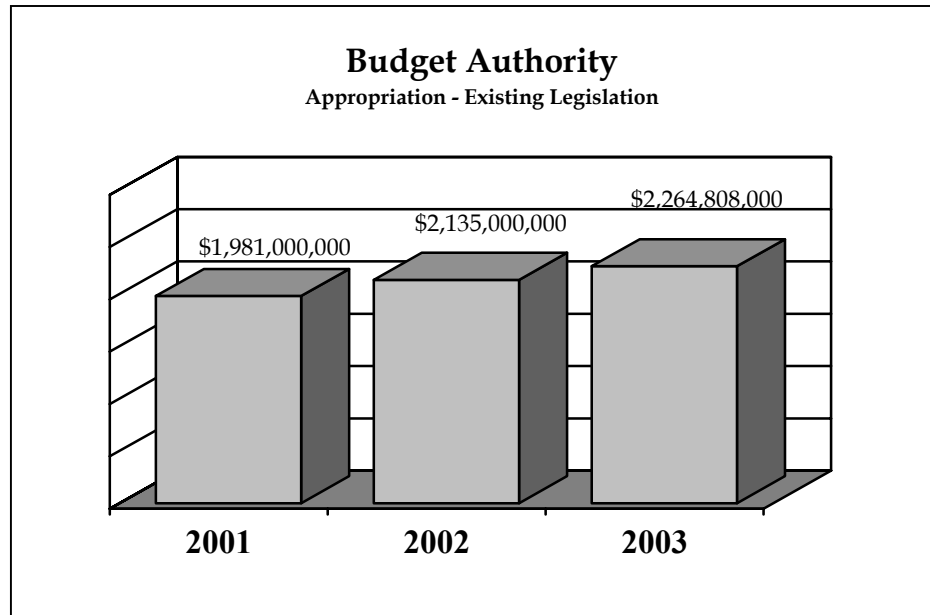
Vocational rehabilitation training is provided to certain service-disabled veterans along with specially adapted housing grants, and automobile grants with the associated approved adaptive equipment. Beneficiary travel for vocational rehabilitation trainees is also funded by the Readjustment Benefits account.

Public Laws 98-525 and 100-48 provide educational assistance to veterans whose initial entry on active duty takes place after July 1, 1985. These benefits are included in the All-volunteer force educational assistance program (Montgomery GI Bill) authorized under 38 U.S.C. chapter 30. Basic benefits are funded through appropriations made to the Readjustment Benefits appropriation. Supplemental benefits are also provided to certain veterans. These benefits are funded through transfers from the Department of Defense. This law also provides education assistance to certain members of the Selected Reserve. Transfers from the Department of Defense and Department of Transportation fund reservists' training. Public Law 101-510, enacted on November 5, 1990, allows servicepersons enrolled or eligible to reenroll in the Post-Vietnam Era Veteran Education Program (VEAP), who are involuntarily separated from the service on or after February 3, 1991, an opportunity to make an irrevocable election to receive assistance under the Montgomery GI Bill (MGIB) educational assistance program in lieu of VEAP.

Effective October 23, 1992, Public Law 102-484, "National Defense Authorization Act for Fiscal Year 1993", extended the same opportunity to certain servicepersons who voluntarily separate from the military on or after December 5, 1991. Public Law 104-275, "The Veterans Benefits Improvement Act of 1996," and Public Law 106-419, "The Veterans Benefits and Health Care Improvement Act of 2000" provide chapter 32 (and section 903) servicepersons the opportunity to make an irrevocable election to enroll in the MGIB program. These laws provide that the serviceperson must have been a VEAP participant on October 9, 1996. Individuals who make an election under Public Law 104-275 will be disenrolled from the VEAP program and required to pay \$1,200 to become eligible for the MGIB program. Individuals who make an election under Public Law 106-419 will be disenrolled from the VEAP program and required to pay \$2,700 into the Department of Treasury's GI Bill receipt account to establish eligibility under the MGIB program. Effective January 1, 2002, Public Law 107-103 increased the entitlement rates for full time trainees in chapters 30 and 35. Subsequent annual rate increases will be determined by the Consumer Price Index

(CPI) adjustment and rounded to the nearest dollar. Public Law 107-103 also positively impacted chapter 31 in providing significant increases in the allowances for housing grants and automobiles and adaptive equipment.

Work-study payments are provided to eligible persons pursuing a program of rehabilitation, education, or training under chapters 30, 31, 32, and 35 of title 38, U.S.C. and chapter 1606 of title 10.



Also funded under this program are payments to State Approving Agencies. This activity provides for the reimbursement of the costs associated with inspecting, approving, and supervising programs of education and training offered by educational institutions in which veterans, dependents, and reservists are enrolled.

An indefinite appropriation of “such sums as may be necessary” is requested in 2003 to support programs funded by the Readjustment Benefits appropriation. This appropriation level, currently estimated to be \$2,264.8 million, will provide funds to support the training of 51,746 dependents of disabled veterans and 64,879 disabled veterans receiving vocational training and rehabilitation service. In addition, funds appropriated to this account, along with transfers primarily from the Department of Defense will provide training to 325,815 veterans and servicepersons, and 81,721 reservists under the Montgomery GI Bill.

In 2003, the source of available funding comes primarily from appropriated funds of \$2,264.8 million; offsetting collections from DoD and DoT of \$240.9 million; and \$293.5 million available from the 2002 unobligated balance.

<b><i>Obligations, Budget Authority and Outlays</i></b> <b><i>(dollars in thousands)</i></b>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
<b>Obligations:</b>				
Dependents education and training	\$175,542	\$206,181	\$217,472	+\$11,291
Special assistance to disabled veterans	479,817	501,806	513,084	+11,278
Work-study	32,095	45,900	51,408	+5,508
Payments to state approving agencies	13,717	14,000	13,000	-1,000
Tuition assistance	5,926	79,040	79,040	0
Licensing and certification tests	33	5,982	19,071	+13,089
All-volunteer force educational assistance	1,129,264	1,596,071	1,902,541	+306,470
Reporting fees	3,038	3,500	3,500	0
<b>Total obligations</b>	<b>\$1,839,432</b>	<b>\$2,452,480</b>	<b>\$2,799,116</b>	<b>+\$346,636</b>
Offsetting collections (-)	215,665	228,004	240,850	-12,846
Transfer from other accounts	0	0	0	0
Change in unobligated balance	-357,233	-89,476	-293,458	-203,982
<b>Budget authority (net)</b>	<b>\$1,981,000</b>	<b>\$2,135,000</b>	<b>\$2,264,808</b>	<b>+\$129,808</b>
<b>Appropriation</b>	<b>\$1,634,000</b>	<b>\$2,135,000</b>	<b>2,264,808</b>	<b>+129,808</b>
Appropriation (indefinite)	N/A	N/A	N/A	0
Supplemental	347,000	N/A	N/A	0
Outlays (net)	\$1,608,225	\$2,222,900	\$2,557,300	+\$334,400

<b><i>Administrative Resources Supporting Benefits Service Delivery <sup>1/</sup></i></b>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
FTE	1,913	2,120	2,157	+37
Total Obligations (\$ 000)	\$172,284	\$215,542	\$238,702	+\$23,160

1/ Administrative resources reflected above include funds to administer the Education and Vocational Rehabilitation programs.

## Dependents Education and Training

The number of trainees in 2003 is expected to increase by 1,797 over the 2002 level. Obligations for education and training will increase by \$11.5 million over the 2002 level. Effective January 1, 2002, Public Law 107-103 increased the monthly benefit rate for chapter 35 trainees to \$670. The increased activity in this program is primarily the result of enhancements in entitlement and eligibility criteria.

<i>Education and Training Obligations</i> (dollars in thousands)				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
Sons and daughters	\$156,543	\$182,307	\$192,280	+\$9,973
Spouses and widows(ers)	18,999	23,874	25,192	+1,317
Licensing/Certification	0	107	271	+164
<b>Total obligations</b>	<b>\$175,542</b>	<b>\$206,288</b>	<b>\$217,743</b>	<b>+\$11,455</b>

<i>Education and Training Caseload</i>				
Sons and daughters	40,742	42,916	44,455	+1,539
Spouses and widows(ers)	6,175	7,033	7,291	+258
<b>Total trainees</b>	<b>46,917</b>	<b>49,949</b>	<b>51,746</b>	<b>+1,797</b>

## Rehabilitative Assistance to Disabled Veterans

Through the vocational rehabilitation program, a subsistence allowance and all costs associated with vocational courses are paid. Effective January 1, 2002, Public Law 107-103 increased the allowances for housing grants and automobiles. Housing grants not to exceed \$48,000 are made for specially adapted housing to seriously disabled veterans, and grants not to exceed \$9,250 are made to veterans with service-connected blindness or the loss or loss of use of both upper extremities. Certain seriously disabled veterans are eligible for a one-time payment not to exceed \$9,000 for the initial purchase of an automobile or other conveyance, plus equipment adapting it for the use of a disabled person. The program covers repairs, maintenance, replacement, and installation. The transportation costs incurred by veterans for vocational rehabilitation travel, including a special transportation allowance to veterans who have incurred travel expenses because of their disability, will be funded by the Readjustment Benefits appropriation.

<i><b>Rehabilitative Obligations</b></i> <i><b>(dollars in thousands)</b></i>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
Vocational rehabilitation	\$426,472	\$440,896	\$452,029	+\$11,133
Housing grants	19,716	24,960	24,960	0
Automobiles and other conveyances	6,995	8,750	8,995	+245
Adaptive equipment	26,634	27,200	27,100	-100
<b>Total obligations</b>	<b>\$479,817</b>	<b>\$501,806</b>	<b>\$513,084</b>	<b>+\$11,278</b>

<i><b>Rehabilitative Caseload</b></i>				
Vocational rehabilitation	64,235	64,556	64,879	+323
Housing grants	548	600	600	0
Automobiles and other conveyances	875	1,000	1,000	0
Adaptive equipment	8,036	8,000	7,800	-200

Trainee participation for vocational rehabilitation is projected to increase slightly in 2003 to 64,879 from 64,556 in 2002. This increase of less than one percent reflects a change in the presentation of those veterans receiving vocational rehabilitation and employment services.

Public Law 102-568 provides that monthly subsistence allowance payments are subject to annual Consumer Price Index (CPI) adjustments. Effective October 1, 2001, the monthly subsistence allowance was increased to \$448.24. Also, effective October 1, 1993, vocational rehabilitation services were extended to certain veterans rated 10 percent disabled with serious employment handicaps.

## **All-Volunteer Force Educational Assistance**

### **Veterans**

Public Laws 98-525 and 100-48 provide educational assistance to veterans whose initial entry on active duty takes place after June 30, 1985.

The veteran participant has his or her salary reduced \$100 a month for each of the first twelve months the individual is in the service. These funds are deposited into the Treasury general receipt account.

Effective in 2002, Public Law 107-103 increased the full-time monthly benefit rate to \$800 in 2002. The rate will increase to \$900 on October 1, 2002, and to \$985 on October 1, 2003. The CPI will drive subsequent annual increases. The Department of Defense funds supplemental benefits. Public Law 102-568 provides that Montgomery GI Bill monthly basic benefit rates are subject to annual CPI adjustments that will recommence October 1, 2003 when the last increase under PL 107-103 is granted. In 2001, \$924 million in basic benefits and \$70 million in supplemental benefits were paid to 277,765 veterans and servicepersons. In 2002, it is expected that \$1,378 million in basic benefits and \$82 million in supplemental benefits will be paid to 326,425 veterans and servicepersons. The 2003 funding levels include funds to support the training of 325,815 veterans and servicepersons. It is estimated that basic benefits will total \$1,669 million and supplemental benefits will be \$90 million, as more individuals become eligible for benefits.

### **Reservists**

Certain members of the Selected Reserve (members who enlist, re-enlist or extend their enlistment for a six year period) are entitled to receive up to \$272.00 a month for thirty-six months. The current full-time benefit rate reflects the normal COLA adjustment under Public Law 102-568. During 2003, reservists' benefits are estimated to cost \$143 million for 81,721 trainees. The Department of Defense and the Department of Transportation through the Department of Veterans Affairs make these payments.

Public Law 106-398, enacted October 30, 2000, allows the military service to pay up to 100 percent of the tuition and expenses charged by a school for services. If a service department pays less than 100 percent, a service member eligible for the Montgomery GI Bill - Active Duty (MGIB) can elect to receive benefits for all or a portion of the remaining expenses.

<i>All-Volunteer Force Educational Assistance</i> (dollars in thousands)				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
Veterans' and servicepersons' basic benefits	\$923,214	\$1,377,887	\$1,669,452	+\$291,565
Veterans' and servicepersons' supplementary benefits	70,057	82,434	90,231	+7,797
Reservists' benefits	135,993	135,750	142,858	+7,108
<b>Total obligations</b>	<b>\$1,129,264</b>	<b>\$1,596,071</b>	<b>\$1,902,541</b>	<b>+\$306,470</b>

<i>Caseload</i>				
Veterans and servicepersons	277,765	326,425	325,815	-610
Reservists	82,283	79,000	81,721	+2,721
<b>Total trainees</b>	<b>360,048</b>	<b>405,425</b>	<b>407,536</b>	<b>+2,111</b>

### Work-study payments

In 2001, the number of contracts approved for work-study was 27,690. In 2002, an estimated \$45.9 million will be provided for 28,900 approved contracts for trainees eligible under chapters 30, 31, 32, 35 and 1606. A student pursuing at least a three-quarter time program who agrees to work up to a maximum of 25 hours per week for the number of weeks in the enrollment period will be paid the higher of the federal or state minimum wage. The federal minimum wage is \$5.15. Public Law 107-103 expanded work-study opportunities to include outreach services at State Approving Agencies, VA nursing homes and hospitals, and national and state veterans cemeteries.

<i>Summary of Obligations</i> (dollars in thousands)				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
Obligations	\$32,095	\$45,900	\$51,408	+\$5,508
Number of contracts approved	27,690	28,900	28,900	0

### **Payments to States**

This appropriation provides for the reimbursement of State Approving Agencies (SAAs) for the costs of inspecting, approving and supervising programs of education and training offered by educational institutions and training establishments in which veterans, dependents and reservists are enrolled or are about to enter. Public Law 101-237 provides that, effective October 1, 1989, funding provided to SAAs from the Readjustment Benefits account may be used for expenses incurred in connection with developing a national training curriculum for SAA employees (excepting administrative overhead). Public Law 103-446 increased the maximum amount permitted to be obligated for this activity by \$1 million to \$13 million in any year, effective October 1, 1994. In 2001, under Public Law 106-419, the maximum amount for this activity was increased to \$14 million until 2003 at which time the rate will return to \$13 million.

<i>Summary of Obligations</i> (dollars in thousands)				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
Obligations	\$13,717	\$14,000	\$13,000	-1,000



## Reinstated Entitlement Program for Survivors

In accordance with Public Law 97-377, this program restores Social Security benefits to certain surviving spouses and children of veterans who died of service-connected causes, which were eliminated by the "Omnibus Budget Reconciliation Act of 1981", Public Law 97-35. The funding for this program is provided in the form of offsetting collections from the Department of Defense, and, therefore, no budget authority is requested.

<i><b>Obligations, Outlays, and Workloads</b></i> <i>(dollars in thousands)</i>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
<b>Obligations:</b>				
Spouses	\$2,311	\$2,791	\$1,890	-\$901
Children-in-school	9,783	11,772	10,140	-1,632
Operating expenses, VA	489	430	410	-20
Operating expenses, Social Security Administration	8	7	6	-1
Retroactive payments	0	0	0	0
<b>Subtotal</b>	<b>\$12,591</b>	<b>\$15,000</b>	<b>\$12,446</b>	<b>-\$2,554</b>
Return of overpayment to DoD	3,209	0	0	0
<b>Total obligations</b>	<b>\$15,800</b>	<b>\$15,000</b>	<b>\$12,446</b>	<b>-\$2,554</b>
<b>Receipts from the Department of Defense</b>	<b>\$15,800</b>	<b>\$15,000</b>	<b>\$12,446</b>	<b>-\$2,554</b>
<b>Outlays (net)</b>	<b>-\$2,130</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Workload:</b>				
Spouses	187	176	145	-31
Children-in-school	696	777	686	-91

Note: FY 2001, gross BA, offsetting collections and net outlays reflect activities across all unexpired accounts.

## Proposed Legislation

Legislation has been proposed to provide a 1.8 percent cost-of-living adjustment to surviving spouses in receipt of Dependency and Indemnity Compensation (DIC) effective December 1, 2002. Under section 156, Public Law 97-377, this increase must also be granted to beneficiaries under this program. Starting in 2002, annual cost-of-living adjustments will also be provided to children in school, pursuant to P.L. 106-419.

## **Vocational Rehabilitation Revolving Fund**

Currently, loans of up to \$896, twice the amount of the indexed full-time subsistence allowance for a veteran with no dependents under 38 U.S.C. chapter 31, are available to service-connected disabled veterans participating in VA's Vocational Rehabilitation and Employment program when the rehabilitation counselor believes the veteran temporarily needs additional financial assistance.

The enactment of Public Law 101-508, the Federal Credit Reform Act of 1990, implemented a consistent and comparable basis of measuring the costs of cash and credit transactions so that proper budgetary decisions on the use of limited financial resources can be made. The essence of credit reform is to separate the subsidy costs from the nonsubsidized cash flows of credit transactions, and to focus on the former for budgeting and analysis.

The accounts, developed to accomplish the objectives of credit reform which make up the Vocational Rehabilitation Revolving Fund, are presented as follows:

### **Liquidating Account**

This account will record all cash flows associated with direct loan obligations made before 1992.

All new loan activity will be recorded in corresponding program and financing accounts. Because all loans made prior to 1992 have been repaid, there is no data shown in this budget.

### **Program Account**

This account, as required, will record the subsidy costs associated with the direct loans obligated in 1992 and beyond, as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis; the administrative expenses are estimated on a cash basis. In the President's budget, this account has been consolidated in a single fund called the Miscellaneous Veterans Programs Loan Fund Program Account.

<b><i>Obligations, Outlays, and Workloads</i></b> <b><i>(dollars in thousands)</i></b>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
<b>Obligations:</b>				
Direct loan subsidy	\$47	\$72	\$55	-\$17
Administrative expenses	431	274	293	+\$19
<b>Total obligations</b>	<b>\$478</b>	<b>\$346</b>	<b>\$348</b>	<b>+\$2</b>
<b>Unobligated balance expired</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Budget authority (appropriation)</b>	<b>\$478</b>	<b>\$346</b>	<b>\$348</b>	<b>+\$2</b>
Outlays (net)	\$473	\$346	\$348	+\$2
<b>Workload employment and subsidy rate:</b>				
Number of loans made	3,970	5,085	5,300	+\$215
Average loan amount	\$616	\$649	\$684	+\$35
Total amount disbursed	\$2,445	\$3,301	\$3,626	+\$325
Subsidy rate (percent)	1.88	2.18	1.50	-.68
Average employment	9	5	5	0

An appropriation of \$348,000 is requested to provide for subsidy payments to the Vocational Rehabilitation Direct Loan Financing Account and administrative expenses to the General Operating Expenses appropriation.

Direct loan subsidy payments in 2003, based on an estimated 5,300 loans to be made and a subsidy rate of 1.50 percent, are estimated to be \$55,000. In addition, \$293,000 will provide for an estimated average employment of five FTE required for the issuance and accounting of loans disbursed and for nonpayroll costs attributed to this program.

### **Direct Loan Financing Account**

The financing account will record the cash flows associated with direct loan obligations made in 1992 and beyond. These cash flows include loan disbursements, principal repayments, and interest paid on treasury borrowing. In the President's budget, this account has been consolidated in a single fund called the Miscellaneous Veterans Programs Loan Fund Direct Loan Financing Account.

<b><i>Obligations, Financing, and Collections</i></b> <b><i>(dollars in thousands)</i></b>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
<b>Obligations:</b>				
Direct loans made	\$2,445	\$3,301	\$3,626	+\$325
Interest on treasury borrowing	49	76	82	+6
<b>Total obligations</b>	<b>\$2,494</b>	<b>\$3,377</b>	<b>\$3,708</b>	<b>+\$331</b>
<b>Financing/disbursements (gross):</b>				
Financing authority (authority to borrow)	\$2,494	\$3,377	\$3,708	+\$331
Financing disbursements	\$2,495	\$3,346	\$3,704	+\$358
<b>Collections(-)</b>				
Payments from program account	\$47	\$72	\$55	-\$17
Loan repayments	2,315	3,051	3,497	+446
<b>Total collections</b>	<b>\$2,362</b>	<b>\$3,123</b>	<b>\$3,552</b>	<b>+\$429</b>
<b>Financing/disbursements (net):</b>				
Financing authority (authority to borrow)	\$132	\$254	\$155	-\$99
Financing disbursements	\$133	\$223	\$151	-\$72

In 2003, based on 5,300 loans anticipated to be made, it is estimated that obligations for direct loans made will total \$3,707,827. Collections during the same period are estimated to be \$3,552,498: \$55,000 from subsidy payments and \$3,497,498 from loan repayments.

## Education Loan Fund

The Vietnam-era Veterans' Readjustment Assistance Act of 1974 (Public Law 93-508) established the Department of Veterans Affairs' Education Loan Fund. The program is used to provide loans of up to \$2,500 to surviving spouses meeting eligibility under chapter 35 of title 38, U.S.C.

The enactment of Public Law 101-508, the Federal Credit Reform Act 1990, implemented a consistent and comparable basis of measuring the costs of cash and credit transactions so that proper budgetary decisions on the use of limited financial resources can be made. The essence of credit reform is to separate the subsidy costs from the nonsubsidized cash flows of credit transactions, and to focus on the former for budgeting and analysis.

To accomplish the above objectives, credit reform separated the Education Loan Fund into the following accounts:

### Liquidating Account

This account was established to record all cash flows associated with all direct loan obligations made before 1992. In the President's budget, this account has been consolidated with the Miscellaneous Veterans Programs Loan Fund.

<i>Summary of Obligations, Collections, and Workloads</i> (dollars in thousands)				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
<b>Offsetting collections: (-)</b>				
Loans repayments (current)	\$1	\$4	\$3	-\$1
Amounts recovered from defaults	26	25	23	-2
Interest	22	41	37	-4
<b>Total</b>	<b>\$49</b>	<b>\$70</b>	<b>\$63</b>	<b>-\$7</b>
Number in default (EOY)	144	67	51	-16
Amount in default (EOY)	\$229	\$200	\$174	-\$26
Number of loans outstanding (EOY)	159	73	56	-17
Average loans outstanding (whole dollars)	\$1,566	\$2,959	\$3,339	+\$380
Amount of loan outstanding (EOY)	\$249	\$216	\$187	-\$29

This account records only the repayments from loans outstanding at the end of 1991. All new activity (since 1992) is recorded in corresponding program and financing accounts. Collections are expected to decline by \$7,000, as fewer loans remain outstanding. The number of loans in a default status also is declining as more of these loans are being repaid in full.

Collections in 2003 are expected to total \$63,000. Collections will be comprised of \$3,000 from loan repayments, \$23,000 in amounts recovered from defaulted loans, and \$37,000 from interest earnings. Collections are expected to decline, as fewer loans remain outstanding.

### Program Account

This account, as required, will record the subsidy costs associated with the direct loans obligated in 1992 and beyond, as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis, the administrative expenses are estimated on a cash basis. In the President's budget, this account has been consolidated in a single fund called the Miscellaneous Veterans Programs Loan Fund Program Account.

<i><b>Obligations, Outlays, and Workloads</b></i> <i><b>(dollars in thousands)</b></i>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
<b>Obligations:</b>				
Direct loan subsidy	\$0	\$1	\$1	\$0
Administrative expenses	220	64	71	+7
<b>Total obligations</b>	<b>\$220</b>	<b>\$65</b>	<b>\$72</b>	<b>+\$7</b>
<b>Budget authority (appropriation)</b>	<b>\$220</b>	<b>\$65</b>	<b>\$72</b>	<b>+\$7</b>
Outlays	\$220	\$65	\$72	+\$7
<b>Workload, employment and subsidy rates:</b>				
Number of loans made	0	2	2	0
Average loan amount (whole dollars)	\$0	\$1,700	\$1,700	\$0
Total amount disbursed	\$0	\$3	\$3	\$0
Subsidy rate (percent)	13.93	7.81	6.49	-1.32
Average employment	4	1	1	0

Budget Authority of \$72,000 is being requested to provide for subsidy payments to the Direct Loan Financing account and administrative expenses to the General Operating Expenses appropriation.

In 2003, two loans are estimated to be made. The subsidy payment, based on a subsidy rate of 6.49 percent, is estimated to be \$1,000. The administrative expenses consist of \$71,000 and one FTE.

### Direct Loan Financing Account

This account will record the cash flows associated with direct loans obligations made in 1992 and beyond. These cash flows include loan disbursements, principal repayments, and interest paid on treasury borrowing. In the President's budget, this account has been consolidated in a single fund called the Miscellaneous Veterans Programs Loan Fund Direct Loan Financing Account.

<b><i>Obligations, Financing, and Collections</i></b> <b><i>(dollars in thousands)</i></b>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
<b>Obligations:</b>				
Direct loans made	\$0	\$3	\$3	\$0
<b>Total obligations</b>	<b>\$0</b>	<b>\$3</b>	<b>\$3</b>	<b>\$0</b>
<b>Financing/disbursements (gross):</b>				
Financing authority (authority to borrow)	\$0	\$3	\$3	\$0
Financing disbursements	\$0	\$3	\$3	\$0
<b>Collections:</b>				
Payments from program account	\$0	\$1	\$1	\$0
<b>Total collections(-)</b>	<b>\$0</b>	<b>\$1</b>	<b>\$1</b>	<b>\$0</b>
<b>Financing/disbursements (net):</b>				
Financing authority (authority to borrow)	\$0	\$2	\$3	\$1
Financing disbursements	\$0	\$2	\$3	\$1

Direct loan obligations made during 2003 are estimated to be \$3,400 for two loans made.

## Post-Vietnam Era Veterans Education Account

Public Law 94-502 established the Post-Vietnam Era Veterans Education Program. This account consists of voluntary contributions by eligible servicepersons and matching contributions, on a two-for-one basis, provided by the Department of Defense. The fund provides educational assistance payments to participants who entered the service after December 31, 1976, and before July 1, 1985, and are pursuing training under chapter 32, title 38 U.S.C. The "Department of Defense Authorization Act, 1981" (Public Law 96-342) included two new educational assistance programs for certain individuals who enlisted or reenlisted in the Army, Navy, Air Force or Marine Corps after September 30, 1980 and before October 1, 1981. Section 901 of that act is a non-contributory program with educational assistance provided by the Department of Defense. Section 903 authorizes the Department of Defense to make the monthly contributions for certain post-Vietnam era participants. Public Law 98-525, enacted October 19, 1984, precluded new enrollments into this program during the period July 1, 1985 to June 30, 1988. Public Law 99-576, enacted October 28, 1986, closed the program permanently but provided a grace period for new enrollments of eligible servicepersons until March 31, 1987. Public Law 104-275, "The Veterans Benefits Improvement Act of 1996," and Public Law 106-419, the "Veterans Benefits and Health Care Improvement Act of 2000" extended to chapter 32 (and section 903) servicepersons the opportunity to make an irrevocable election to enroll in the MGIB educational assistance program in lieu of VEAP. Under these laws, the serviceperson must have been a VEAP participant on October 9, 1996. Individuals, who made the election to disenroll from the VEAP program, under Public Law 104-275 paid \$1,200 and Public Law 106-419 paid \$2,700 into the Department of Treasury's GI Bill receipt account to establish eligibility under the MGIB program.

<i><b>Post-Vietnam Era Veterans Education Account</b></i>				
<i><b>(dollars in thousands)</b></i>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase (+) Decrease(-)
<b>Obligations:</b>				
Payments to post-Vietnam era trainees	\$3,860	\$3,500	\$3,220	-\$280
Payments to section 901 trainees	140	140	140	0
Participant disenrollments	10,800	8,560	8,640	+80
<b>Total obligations</b>	<b>\$14,800</b>	<b>\$12,200</b>	<b>\$12,000</b>	<b>-\$200</b>



<b>Budget Authority, Outlays, and Workloads</b> (dollars in thousands)				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
<b>Total income (budget authority):</b>				
<b>Post-Vietnam era education:</b>				
Contributions from servicepersons	\$2,250	\$646	\$185	-\$461
Department of Defense (matching)	1,302	0	700	+700
Department of Defense (bonus)	0	1,303	1,303	0
Department of Defense (section 901)	0	0	0	0
Department of Defense (section 903)	0	0	0	0
<b>Total income (budget authority)</b>	<b>\$3,552</b>	<b>\$1,949</b>	<b>\$2,188</b>	<b>+\$239</b>
<b>Total outlays</b>	<b>\$14,402</b>	<b>\$12,300</b>	<b>\$11,900</b>	<b>-\$400</b>
<b>Workload:</b>				
Participants (EOY)	210,385	200,385	189,785	-10,600
Trainees	1,680	1,180	980	-200
Section 901 trainees	20	20	20	0
Disenrollments	12,600	10,700	10,800	+100

The 2003 obligations are estimated to be \$200,000 lower than in 2002. Training obligations for 2002 will decline by \$2.6 million from the 2001 level of \$14.8 million, as a result of 500 fewer trainees in 2002. Disenrollment obligations are projected to decrease by \$2.2 million in 2002 due to participants electing to transfer to the MGIB program under Public Law 106-419. Under Section 901, obligations are expected to remain the same.

Throughout 2002, participants and contributions will decrease since this program is now closed to new enrollments. The peak year for training in this program was 1988 when the number of trainees reached 87,486.

The budget authority for this account is a permanent and indefinite authorization consisting of transfers from the Department of Defense and voluntary contributions by eligible servicepersons. The authority to distribute these funds does not require annual appropriation action by the Congress.

## Veterans Housing Benefit Program Fund

The "Federal Credit Reform Act of 1990," Public Law 101-508, changed the accounting for Federal credit programs to make it consistent with and comparable to non-credit transactions. The intent of credit reform is to separate the subsidy costs (costs to the government) from the nonsubsidized cash flows of credit transactions and to focus on the former for budgeting and analysis. The Native American Veterans Housing Loan Program Account is being submitted separately because under current legislation, it is a pilot program terminating on December 31, 2005. The Veterans Benefits Enhancement Act of 1998 (P.L. 105-368) established the Guaranteed Transitional Housing Loans for Homeless Veterans Account. This account is also being submitted separately as it too is a pilot program. Both Native American and Transitional Housing are included.

### Program Description

All loans guaranteed prior to October 1, 1991, are scored in the Veterans Housing Benefit Program Fund (VHBPF) Liquidating Account. Under the "Federal Credit Reform Act of 1990," all loans guaranteed after September 30, 1991, are financed by subsidy appropriations to the VHBPF Program Account. This account will also receive an appropriation for administrative expenses.

The principal objective of this loan guaranty program is to encourage and facilitate the extension of favorable credit terms by private lenders to veterans for the purchase, construction, or improvement of homes to be occupied by veterans and their families. The program operates by substituting the Federal Government's guaranty for the downpayment that would otherwise be required when a veteran or reservist purchases a home. Eligible individuals are thus able to finance home purchases even though they may not have the resources to qualify for conventional loans. Currently, the guaranty amount is as follows:

- 50 percent for loans \$45,000 or less;
- \$22,500 for loans greater than \$45,000 but not more than \$56,250;
- the lesser of \$36,000 or 40 percent for loans greater than \$56,250 but not more than \$144,000; or
- the lesser of \$60,000 or 25 percent for loans greater than \$144,000 to purchase or construct a home.

In the event of an insoluble default, VA, through its contract of guaranty, will pay any loss sustained by the holder of the loan, up to the amount of the guaranty. To offset program expenses, a variable funding fee, based upon the type of loan and downpayment, is collected on guaranteed loans and is deposited in the VHBPF Guaranteed Loan Financing Account. For a first time user, a loan fee of 2.00 percent (2.75 percent for reservists) is collected on loans to purchase or construct a home, if

the veteran makes less than 5 percent downpayment. If the veteran makes a downpayment of at least 5 percent, but less than 10 percent, the loan fee is reduced to 1.5 percent (2.25 percent for reservists), and reduced to 1.25 percent (2.0 percent for reservists) if the veteran makes a downpayment of 10 percent or more. Veterans and reservists pay increased funding fees for second and subsequent use of the loan program (except for interest rate reduction refinancing loans). A loan fee of 3.00 percent is collected on multiple use loans to purchase or construct a home, if the veteran or reservist makes less than a 5 percent downpayment. If the veteran makes a downpayment of at least 5 percent, but less than 10 percent, the multiple use loan is reduced to 1.5 percent (2.25 percent for reservist). The loan fee is 0.5 percent for interest rate reduction refinancing loans. A regular refinancing loan has a fee of 2.00 percent for a first time use veteran and 2.75 percent for the first time use reservist. A fee of 2.25 percent is collected on vendee loans, which is deposited in the VHBPF Direct Loan Financing Account. Persons who assume loans pay a fee of 0.5 percent. Service-connected disabled veterans receiving compensation are exempt from paying the loan fee, as are surviving spouses of veterans who died from a service-connected disability.

A person who pays a fee for a loan guaranteed or insured after December 31, 1989, or who is exempt from payment of the fee, shall have no liability to VA for any loss resulting from default except in the case of fraud, misrepresentation, or bad faith. This exemption does not apply to manufactured homes under section 3712 or loan assumptions.

VA is authorized to make direct loans to certain severely disabled veterans in connection with Specially Adapted Housing Grants. The maximum loan amount is \$48,000.

Veterans may also obtain guaranteed loan financing to buy a new or used manufactured home and/or buy or improve a lot for placement of a manufactured home. The guaranty amount is the lesser of 40 percent of the loan amount or \$20,000. Veterans are charged a funding fee of one percent of the loan amount.

## Liquidating Account

The Veterans Housing Benefit Program Fund, Liquidating Account records all cash flows to and from the Government resulting from direct loans obligated and loan guarantees committed prior to 1992. This account is shown on a cash basis. New loan activity in this account, such as vendees established and loans acquired, is recorded in the Direct Loan Financing Account.

<i>Veterans Housing Benefit Program Fund - Liquidating Account</i>				
<i>(dollars in thousands)</i>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase (+) Decrease (-)
<b>Obligations:</b>				
Losses on defaulted guaranteed loans	\$29,911	\$29,040	\$26,607	-\$2,433
Property acquisition costs	\$83,511	\$62,349	\$49,470	-\$12,879
All other	\$70,488	\$115,519	\$107,720	-\$7,799
<b>Total obligations</b>	<b>\$183,910</b>	<b>\$206,908</b>	<b>\$183,797</b>	<b>-\$23,111</b>
<b>Changes in unobligated balances, and other:</b>	<b>-\$128,533</b>	<b>\$115,294</b>	<b>\$0</b>	<b>-\$115,294</b>
<b>Budget Authority (net)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Collections:</b>				
Recoveries from direct loan financing	\$100,454	\$125,815	\$119,287	-\$6,528
All other	\$163,051	\$84,384	\$69,055	-\$15,329
<b>Total collections</b>	<b>\$263,505</b>	<b>\$210,199</b>	<b>\$188,342</b>	<b>-\$21,857</b>
<b>Total obligations</b>	<b>\$183,910</b>	<b>\$206,908</b>	<b>\$183,797</b>	<b>-\$23,111</b>
<b>Total collections</b>	<b>\$263,505</b>	<b>\$210,199</b>	<b>\$188,342</b>	<b>-\$21,857</b>
Change in obligated balances	\$111,328	-\$44,062	\$2,311	-\$46,577
<b>Outlays (net)</b>	<b>-\$3,965</b>	<b>-\$47,353</b>	<b>-\$2,234</b>	<b>+\$45,119</b>
<b>Workload:</b>				
Property acquisitions processed	3,066	2,240	1,746	-494
Claims processed	2,353	2,235	2,012	-223
Properties sold	3,241	1,941	1,826	-115
Property inventory (EOY)	1,642	1,906	1,799	-107

For the Liquidating Account, it is anticipated that 2003 obligations will total \$183.8 million. This obligation level is \$23.1 million below the estimated 2002 level. The decrease is basically due to paying fewer property acquisitions by \$12.9 million. Obligations are expected to continue declining as the number of guaranteed loans that remain outstanding in the Liquidating Account continues to decline. As the number of foreclosures declines, the number of acquisitions that eventually lead to vendee and cash sales of properties also declines, thus reducing the annual amount of collections.

In 2003, no budget authority is being requested for the Liquidating Account, as sufficient offsetting collections are available to fully fund program obligations.

## Program Account

The Veterans Housing Benefit Program Fund, Program Account records the subsidy costs (costs to the government) associated with direct loans obligated and loan guarantees committed since 1992, as well as the administrative expenses associated with operating the housing programs. Subsidy costs are calculated on a net present value basis; the administrative expenses are estimated on a cash basis.

<i><b>Veterans Housing Benefit Program Fund - Program Account</b></i>				
<i><b>(dollars in thousands)</b></i>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase (+) Decrease (-)
<b>Obligations:</b>				
Direct loan subsidy	\$31,976	\$15,556	\$0	-\$15,556
Guaranteed loan subsidy	\$90,398	\$125,060	\$349,521	+\$224,461
Guaranteed loan sale subsidy	\$42,102	\$61,547	\$88,001	+\$26,454
Reestimates of subsidy	\$171,396	\$551,881	\$0	-\$551,881
Administrative expenses	\$161,643	\$164,497	\$175,677	+\$11,180
<b>Total obligations</b>	<b>\$497,516</b>	<b>\$918,542</b>	<b>\$613,199</b>	<b>-\$305,343</b>
<b>Financing:</b>				
<b>Appropriation (current, definite)</b>	<b>\$162,000</b>	<b>\$164,497</b>	<b>\$175,677</b>	<b>+\$11,180</b>
<b>Appropriation rescinded</b>	<b>\$356</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total current appropriation</b>	<b>\$161,643</b>	<b>\$164,497</b>	<b>\$175,677</b>	<b>+\$11,180</b>
<b>Appropriation (P&amp;I, receipt account)</b>	<b>\$171,396</b>	<b>\$551,881</b>	<b>\$0</b>	<b>-\$551,881</b>
<b>Change in obligated balance</b>	<b>-\$4</b>	<b>\$4</b>	<b>\$0</b>	<b>-\$4</b>
<b>Budget Authority (net)</b>	<b>\$497,516</b>	<b>\$918,542</b>	<b>\$613,199</b>	<b>-\$305,343</b>
<b>Outlays (net)</b>	<b>\$497,520</b>	<b>\$918,542</b>	<b>\$613,199</b>	<b>-\$305,343</b>
<b>Workload and employment:</b>				
<b>Direct loans:</b>				
Number of vendees established	11,186	16,941	17,577	+636
Amount of vendees established	\$1,233,531	\$1,715,959	\$1,821,263	+\$105,304
Number of loans acquired	2,775	898	898	+0
Amount of loans acquired	\$229,218	\$92,859	\$95,835	+\$2,976
Number of SAH loans	0	1	1	0
Amount of SAH loans	\$0	\$48	\$48	\$0
<b>Total direct loans made</b>	<b>13,961</b>	<b>17,840</b>	<b>18,476</b>	<b>+636</b>
<b>Total amount of direct loans made</b>	<b>\$1,462,749</b>	<b>\$1,808,866</b>	<b>\$1,917,146</b>	<b>+\$108,280</b>
<b>Guaranteed loans:</b>				
Number of loans guaranteed	252,691	248,000	248,000	0
Amount of guaranteed loans	\$31,168,329	\$32,066,793	\$32,665,484	+\$598,691
<b>Average employment</b>	<b>1,820</b>	<b>1,773</b>	<b>1,778</b>	<b>+5</b>

The VHBPF Program Account is requesting budget authority of \$613.2 million in 2003. This is composed of \$349.5 million in subsidy appropriations for the making of \$32.7 billion in guaranteed loans, \$88 million in loan sales for origination of \$1.8 billion in loan sales, and \$175.7 million in administrative appropriations. The subsidy appropriations are permanent, indefinite budget authority and will be transferred to their respective financing accounts as each loan is originated.

<i>Administrative Resources Supporting Benefits Service Delivery</i>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase (+) Decrease (-)
FTE	1,820	1,773	1,756	+5
Total Obligations	\$161,643	\$164,,497	\$175,677	\$11,180

To provide for loan origination, servicing, management, investment and common overhead expenses, \$175.7 million is required to cover the administrative expenses in the VHBPF Program Account during 2003. This amount will provide the Veterans Benefits Administration (VBA) an average employment of 1,694 FTE at a cost of \$108.9 million (payroll) and reasonable common overhead expenses of \$61.8 million (nonpayroll). An additional \$4.9 million is required for reimbursements to the Office of the General Counsel to provide an average employment of 62 FTE, with payroll costs of \$4.2 million and nonpayroll costs of \$710 thousand.

## Guaranteed Loan Financing Account

The Veterans Housing Benefit Program Fund, Guaranteed Loan Financing Account is a non-budget account which records all financial transactions to and from the Government resulting from loan guarantees committed since 1992. This account is primarily used for financial tracking of each cohort year's loan activity and is not included in the budget totals when calculating the surplus.

<b><i>Veterans Housing Benefit Program Fund – Guaranteed Loan Financing Account</i></b>				
<b><i>(dollars in thousands)</i></b>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase (+) Decrease (-)
<b>Obligations:</b>				
Acquisition of homes	\$1,125,795	\$1,759,748	\$1,996,262	+\$236,514
Losses on defaulted loans	\$364,796	\$505,830	\$478,870	-\$26,960
Payment of downward reest. to receipt acct.	\$1,149,146	\$697,920	\$0	-\$697,920
All other	\$557,792	\$310,015	\$364,239	+\$54,224
<b>Total obligations</b>	<b>\$3,197,529</b>	<b>\$3,273,513</b>	<b>\$2,839,371</b>	<b>-\$434,142</b>
<b>Collections:</b>				
Payments from program account	\$207,687	\$610,144	\$349,521	-\$260,623
Recoveries from direct loan financing account	\$1,134,433	\$1,558,241	\$1,651,231	+\$92,990
Cash sale of properties	\$609,604	\$624,396	\$771,617	+\$147,221
Fees	\$506,010	\$533,981	\$596,849	+\$62,868
All other	\$288,419	\$254,905	\$288,858	+\$33,953
<b>Total collections</b>	<b>\$2,746,153</b>	<b>\$3,581,667</b>	<b>\$3,658,076</b>	<b>+\$76,409</b>
<b>Workload:</b>				
Property acquisitions processed	17,943	25,164	24,183	-981
Claims processed	20,512	27,311	24,958	-2,353
Properties sold	17,048	24,580	23,710	-870
Property inventory (EOY)	9,579	9,911	10,142	+231

The 2003 obligations of \$2.8 billion represent a \$434.1 million decrease over the prior year level of \$3.3 billion. The individual increases are due to higher costs for property acquisitions (\$236.5 million) and property sales expense (\$26.4 million). Partially offsetting these increases is a \$697.9 million payment to the Treasury Receipt Account for downward subsidy and interest reestimates in 2002.

Collections in 2003 are estimated at \$3.66 billion and consist of \$1.65 billion in recoveries from the Direct Loan Financing Account, \$596.8 million from funding fees, \$349.5 million in subsidy payments from the VHBPF Program Account and \$771.6 million in cash sale of properties.

No Congressional action is required for this account since it is a non-budgetary account intended to show how future expenses from guaranteed loans will be financed.

## Direct Loan Financing Account

The Veterans Housing Benefit Program Fund, Direct Loan Financing Account operates in the same fashion as the Guaranteed Loan Financing Account. It is a non-budget account which records all financial transactions to and from the Government resulting from direct loans obligated since 1992 (including all vendees established and loans acquired from the Liquidating and Guaranteed Loan Financing Accounts). This account is primarily used for financial tracking of each cohort year's loan activity and is not included in the budget totals when calculating the surplus.

<i><b>Veterans Housing Benefit Program Fund - Direct Loan Financing Account</b></i>				
<i><b>(dollars in thousands)</b></i>				
	2001	2002	2003	Increase (+)
	Actual	Estimate	Estimate	Decrease (-)
<b>Obligations:</b>				
Direct loans made	\$1,462,749	\$1,808,866	\$1,917,146	+\$108,280
Interest on treasury borrowing	\$243,983	\$163,172	\$191,782	+\$28,610
All other	\$174,588	\$1,073,561	\$102,357	-\$971,204
<b>Total obligations</b>	<b>\$1,881,320</b>	<b>\$3,045,599</b>	<b>\$2,211,285</b>	<b>-\$834,314</b>
<b>Collections:</b>				
Payments from program account	\$56,741	\$35,401	\$0	-\$35,401
Interest payments on loans	\$85,870	\$87,247	\$86,389	-\$858
Loan sale proceeds	\$809,016	\$1,153,795	\$1,698,873	+\$545,078
All other	\$594,670	\$567,860	\$641,764	+\$73,904
<b>Total collections</b>	<b>\$1,546,297</b>	<b>\$1,844,303</b>	<b>\$2,427,026</b>	<b>+\$582,723</b>
<b>Workload:</b>				
No. of vendees established	11,186	16,941	17,577	+636
No. of loans acquired	2,775	898	898	0
No. of specially adapted housing loans	0	1	1	0
Property inventory (EOY)	337	338	350	+12

In 2003, obligations are estimated at \$2.2 billion. This represents an \$834.3 million reduction from the prior year level of \$3.05 billion. The individual increases are in direct loans at \$1.92 billion and a negative subsidy of \$97.6 million. Partially offsetting these increases is a \$1.068 billion payment to the Treasury Receipt Account for downward subsidy and interest reestimates.

Total collections in 2003 are estimated at \$2.4 billion, representing a \$582.7 million increase from the prior year level of \$1.84 billion. The largest increases are expected in the transfer of loan sale funds from Loan Sale Securities Guaranteed Financing Account (\$1.7 billion) and repayments and prepayments of principal (\$491.3 million).

No Congressional action is required for this account since it is a non-budgetary account intended to show how direct loan obligations are financed through



borrower principal and interest repayments, fees, cash sale of properties, and other financial transactions including permanent, indefinite authority to borrow.

## Loan Sale Securities Guaranteed Loan Financing Account

The Veterans Housing Benefit Program Fund, Loan Sale Securities Guaranteed Loan Financing Account is a non-budget account which records all financial transactions, i.e., obligations, collections, and outlays associated with guaranteed loan sales commitments made since 1992.

<b><i>Veterans Housing Benefit Program Fund – Loan Sale Securities Guaranteed Loan Financing Account (dollars in thousands)</i></b>				
	2001 Actual	2001 Estimate	2002 Estimate	Increase (+) Decrease (-)
<b>Obligations:</b>				
Payment to trustee for losses on loans	\$49,882	\$51,184	\$57,910	+\$6,726
Reimburse DLFA for loan sales	\$809,016	\$1,153,795	\$1,698,873	+\$545,078
Payment of downward reest. to receipt acct.	\$107,988	\$29,424	\$0	-\$29,424
All other	\$32,008	\$44,550	\$40,330	-\$4,220
<b>Total obligations</b>	<b>\$998,894</b>	<b>\$1,278,953</b>	<b>\$1,797,113</b>	<b>+\$518,160</b>
<b>Collections:</b>				
Payments from program account	\$71,445	\$108,499	\$88,002	-\$20,497
Loan sale proceeds	\$839,746	\$1,153,795	\$1,698,873	+\$545,078
All other	\$44,358	\$49,960	\$45,413	-\$4,547
<b>Total collections</b>	<b>\$955,549</b>	<b>\$1,312,254</b>	<b>\$1,832,288</b>	<b>\$520,034</b>

The 2003 obligations of \$1.8 billion represent a \$518 million increase over the prior year level of \$1.28 billion. This increase is primarily due to \$545.1 million more in reimbursement to Direct Loan Financing Account for loan sales. Adding to the reduction is the payment of the downward reestimate to the Treasury Receipt Account (\$29.4 million) and a decrease of \$6.5 million associated with reimbursement to the Liquidating account for subordinate certificates.

Collections in 2003 are estimated at \$1.83 billion and consist of \$1.7 billion in loan sale proceeds, \$88.0 million in payments from Program account, and \$29.88 million in payments from subordinate certificate deposits. The remaining balance of collections consists of interest on uninvested funds (\$15.53 million).

No Congressional action is required for this account, since it is a non-budgetary account intended to show how the future expenses of the guaranteed financing loan sale securities account are financed.

# Native American Veterans Housing Loan Program

## Program Description

Public Law 102-547, enacted October 28, 1992, authorized a five-year pilot program to make direct housing loans to Native American veterans under 38 U.S.C. chapter 3761. Initial authority for this Program expired September 30, 1997; however, Public Law 107-103 extended the pilot program until December 31, 2005. The purpose of such loans is to permit Native American veterans to purchase, construct, or improve dwellings on trust lands if VA has entered into a Memorandum of Understanding with respect to such loans with the veteran's tribal organization.

## Program Account

The Native American Veterans Housing Loan Program, Program Account was established to request appropriations for the payment of subsidies to the Native American Veterans Housing Loan Program, Direct Loan Financing Account and for the associated administrative expenses, reimbursed to the General Operating Expenses appropriation. In the 2003 President's budget submission this activity is contained in the Miscellaneous Veterans Housing Loans Program Account.

<i>Native American Veterans Housing Loan Program - Program Account</i>				
<i>(dollars in thousands)</i>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase (+) Decrease (-)
<b>Obligations:</b>				
Direct loan subsidy	\$116	\$254	\$0	-\$254
Administrative expenses	\$531	\$544	\$565	+\$21
<b>Total obligations</b>	<b>\$647</b>	<b>\$798</b>	<b>\$565</b>	<b>-\$233</b>
<b>Unobligated balances:</b>				
Start of year	\$2,851	\$2,735	\$2,480	-\$255
End of year	\$2,735	\$2,480	\$2,480	\$0
<b>Budget authority (net)</b>	<b>\$647</b>	<b>\$798</b>	<b>\$565</b>	<b>-\$233</b>
Appropriation (current, definite)	\$531	\$544	\$565	+\$21
<b>Outlays (net)</b>	<b>\$643</b>	<b>\$798</b>	<b>\$565</b>	<b>-\$233</b>
<b>Workload, employment, and subsidy:</b>				
Number of direct loans established	20	34	30	-4
Amount of direct loans made	\$1,544	\$3,296	\$2,961	-\$335
Average employment	8	8	8	0
Direct loan subsidy rate (percent) <sup>1/</sup>	7.72%	7.72%	-8.96%	-16.68%

<sup>1/</sup> Includes funding for construction loans in progress.

In 1993, \$4.5 million was appropriated for subsidy costs to support \$58.4 million in direct loans made to Native American veterans. In 2003, an appropriation of \$565,000 is being requested to reimburse the General Operating Expenses account for the administered expenses incurred. When the Native American Direct Loan Program was initiated, a subsidy rate of 7.72% was assumed based on the assumption that these loans would have a default rate consistent with the default rate that VA had been experiencing for other direct loans. Loan performance to date has been excellent with minimal losses. Funds used to make the loans are borrowed from Treasury and lent at market rates. This interest rate spread, coupled with minimal defaults, generates a negative subsidy rate. Therefore, no subsidy will be transferred from the program to the financing account in 2003. Outlays are estimated to be at \$565,000 in 2003.

### **Direct Loan Financing Account**

The Native American Veterans Housing Loan Program, Direct Loan Financing Account is a non-budget account, which records all financial transactions, i.e., obligations, collections, and outlays associated with direct loan obligations. In the 2003 President's budget submission this activity is contained in the Miscellaneous Veterans Housing Loans Direct Loan Financing Account.

<b><i>Native American Veterans Housing Loan Program</i></b> <b><i>Direct Loan Financing Account</i></b> <b><i>(dollars in thousands)</i></b>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase (+) Decrease (-)
<b>Obligations:</b>				
Direct loans made	\$1,544	\$3,296	\$2,961	-\$335
Negative subsidy	\$0	\$0	\$289	+\$289
Interest on treasury borrowing	\$1,199	\$1,001	\$1,394	+\$393
Payments to treasury receipt account:				
Excess subsidy and interest	\$0	\$1,916	\$0	-\$1,916
<b>Total obligations</b>	<b>\$2,743</b>	<b>\$6,213</b>	<b>\$4,644</b>	<b>-\$1,569</b>
<b>Collections:</b>				
Payments from program account	\$116	\$254	\$0	-\$254
Interest on loans	\$1,275	\$1,384	\$1,573	+\$189
Interest Income from Treasury	\$159	\$0	\$0	\$0
Loan repayments	\$672	\$729	\$829	+\$100
Other collections	\$33	\$36	\$41	+\$5
<b>Total collections</b>	<b>\$2,255</b>	<b>\$2,403</b>	<b>\$2,443</b>	<b>+\$40</b>
<b>Workload:</b>				
Direct loans made	20	34	30	-4
Properties acquired	0	0	0	0
Properties on hand (EOY)	0	0	0	0

Obligations are estimated at \$6.2 million for 2002 and are expected to decrease to \$4.6 million in 2003. Obligations will support approximately 30 direct loans with a value of \$2.96 million in 2003 to Native American veterans. Obligations also reflect interest paid on Treasury borrowing.

Total collections in 2003 are estimated at \$2.4 million, including \$1.57 million from interest on loans, \$829,000 from loan repayments and \$41,000 in other collections.

No Congressional action is required for this account since it is a non-budgetary account intended to show how direct loan obligations are financed.

# **Guaranteed Transitional Housing Loans for Homeless Veterans**

## **Program Description**

The Guaranteed Transitional Housing Loans for Homeless Veterans program was established by Public Law 105-368, the “Veterans Benefits Enhancement Act of 1998.” The program is a pilot project designed to expand the supply of transitional housing for homeless veterans. This program will guarantee up to 15 loans with a maximum aggregate value of \$100 million. The project must enforce sobriety standards and provide a wide range of supportive services such as counseling for substance abuse and job readiness skills. Residents will be required to pay a reasonable fee.

## **Credit Reform**

The “Federal Credit Reform Act of 1990,” P.L. 101-508, (credit reform) changed the accounting for Federal credit programs to make it consistent with and comparable to non-credit transactions. The intent of credit reform is to separate the subsidy costs (cost to the government), from the nonsubsidized cash flows of credit transactions and to focus on the former for budgeting and analysis.

## **Program Account**

The Program account records the subsidy costs (cost to the government) associated with loan guarantees. Administrative costs are funded from available funds within the General Operating Expenses and Medical Care accounts and may not exceed \$750,000.

## **Direct Loan Financing Account**

The Transitional Housing Direct Loan Financing Account (TH DLFA) is a non-budget account which records all financial transactions to and from the government resulting from direct loan obligations. The TH DLFA is used primarily for the financial tracking of each cohort year’s loan activity and is not included in the budget totals when calculating the deficit amount. The Guaranteed Transitional Housing Loans will be financed by the Federal Financing Bank (FFB) and, for budgetary and accounting purposes, considered agency debt. Therefore, although this is a guaranteed program, all transactions will be accounted for in a direct loan financing account.

## Guaranteed Transitional Housing Loans for Homeless Veterans - Program Account

### Account Description

The Guaranteed Transitional Housing Loans for Homeless Veterans, Program Account records the payment of subsidies to the Guaranteed Transitional Housing Loans for Homeless Veterans, Guaranteed Loan Financing Account. The administrative expenses of the program are borne by the Medical and General Operating Expenses appropriations. In the President's budget submission this activity is contained in the Miscellaneous Veterans Housing Loans Program Account.

<b><i>Guaranteed Transitional Housing Loans for Homeless Veterans Program Account (dollars in thousands)</i></b>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase (+) Decrease (-)
<b>Obligations:</b>				
Guaranteed loan subsidy	\$0	\$0	\$9,554	+\$9,554
Administrative expenses	0	0	0	0
<b>Total obligations</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,554</b>	<b>+\$9,554</b>
<b>Budget authority (net)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Appropriation (current, definite)	\$0	\$0	\$0	\$0
Appropriation (special fund)	\$0	\$0	\$0	\$0
<b>Outlays (net)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,777</b>	<b>+\$4,777</b>
<b>Workload, employment, and subsidy:</b>				
Number of loans guaranteed	0	0	3	+3
Amount of loans guaranteed	\$0	\$0	\$19,800	+\$19,800
Average loan amount	\$0	\$0	\$6,600	+\$6,600
Guaranteed loan subsidy rate (percent)	48.25%	48.25%	48.25%	0.00%

In 2003, three loans are expected to be disbursed, having a loan value of \$19.8 million with a subsidy rate of 48.25 percent and \$9.6 million in subsidy budget authority. Public Law 106-74, enacted October 20, 1999, provided \$48,250,000 to remain available until expended for subsidy costs for up to 15 loans which may be guaranteed under this pilot project.

## Guaranteed Transitional Housing Loans for Homeless Veterans – Direct Loan Financing Account

### Account Description

The Guaranteed Transitional Housing Loans for Homeless Veterans, Guaranteed Loan Financing Account is a non-budget account, which records all financial transactions, i.e., obligations, collections, and outlays associated with guaranteed loan obligations and is not included in the budget totals when calculating the surplus. In the President's budget submission this activity is contained in the Miscellaneous Veterans Housing Loans, Guaranteed Loan Financing Account.

<b><i>Guaranteed Transitional Housing Loans for Homeless Veterans</i></b> <b><i>Guaranteed Loan Financing Account</i></b> <b><i>(dollars in thousands)</i></b>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase (+) Decrease (-)
<b>Obligations:</b>				
Direct loans	\$0	\$0	\$9,900	+\$9,900
Interest on Treasury borrowing	\$0	\$0	\$145	+\$145
<b>Total obligations</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,045</b>	<b>\$10,045</b>
<b>Collections:</b>				
Payments from program account	\$0	\$0	\$4,777	+\$4,777
<b>Total collections</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,777</b>	<b>+\$4,777</b>
<b>Financing authority</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,045</b>	<b>+\$10,045</b>
<b>Financing disbursement</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,268</b>	<b>+\$5,268</b>
<b>Workload:</b>				
No. of loans guaranteed	0	0	3	+3
Amount of loans guaranteed	\$0	\$0	\$19,800	+\$19,800

Offsetting collections in 2003 are estimated to be at \$4.8 million and will only consist of subsidy payments from the Program Account. It is anticipated three guaranteed transitional housing loans totaling \$19.8 million with a subsidy rate of 48.25% would be made during the year.

# Insurance Programs

## Summary

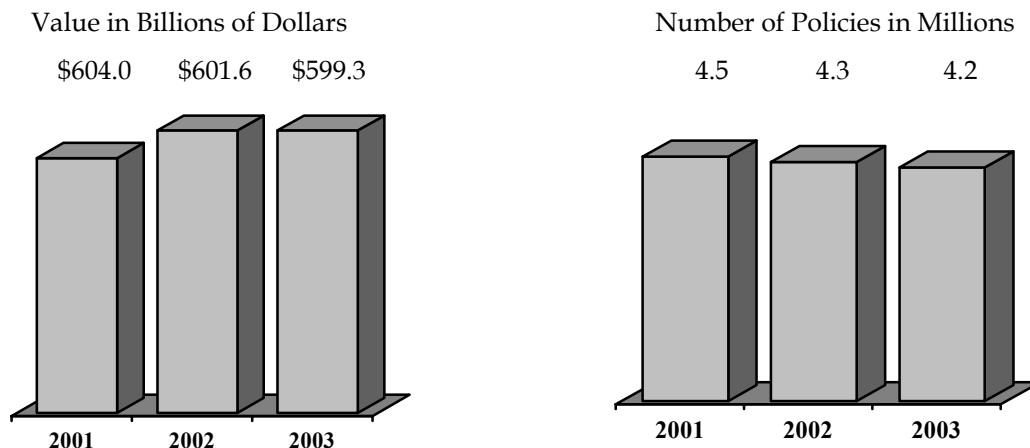
Life insurance protection for the Nation's servicemembers and veterans is provided under eight separate programs. Six of these programs are administered directly by the Department of Veterans Affairs and the remaining two are supervised through contractual agreement with Prudential Financial Incorporated. The Prudential Financial Incorporated of Livingston, New Jersey, administers the Servicemembers' Group Life Insurance (SGLI) and Veterans' Group Life Insurance (VGLI) programs.

The eight VA insurance programs are financed in a variety of ways. The Veterans Mortgage Life Insurance (VMLI) program is funded from the Veterans Insurance and Indemnities (VI&I) program. The VGLI program is funded by premiums and transfers from the (SGLI) fund. These two are not included in the summary charts shown below. Veterans Insurance and Indemnities is a direct appropriation that supports the costs of insuring disabled veterans. Of the remaining six programs, three are public enterprise funds, two are trust funds, and one is a trust revolving fund.

The seven accounts listed below are covered in the following pages:

Appropriation:	Veterans Insurance and Indemnities (VI&I)
Public enterprise funds:	Service-Disabled Veterans Insurance (SDVI)
	Veterans' Reopened Insurance (VRI)
	Servicemembers' Group Life Insurance (SGLI)
Trust funds:	National Service Life Insurance (NSLI)
	United States Government Life Insurance (USGLI)
Trust revolving fund:	Veterans' Special Life Insurance (VSLI)

## Total Insurance in Force





## Veterans Insurance and Indemnities (VI&I)

This appropriation provides for:

- ◆ Payments to the USGLI and NSLI trust funds on total disability and waiver of premiums traceable to the extra hazards of service.
- ◆ Funding and administration for the Veterans Mortgage Life Insurance (VMLI) program. This program provides mortgage protection life insurance to individuals who have received a grant for specially adapted housing. Policies are issued at standard premium rates to individuals who are considered high health risks.
- ◆ Payments are made to policyholders of war-risk insurance issued to veterans of World War I who are permanently and totally disabled.
- ◆ Payments to the Service-Disabled Veterans Insurance fund to supplement premiums and other receipts of the fund to allow veterans with service-connected disabilities to obtain coverage at standard premium rates.

<i><b>Workload, Obligations, and Revenue</b></i> <i><b>(dollars in thousands)</b></i>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
Number of policies in force (EOY) <sup>1/</sup>	3,300	3,120	2,970	-150
Amount of insurance in force (EOY)	\$192,860	\$187,250	\$182,930	-\$4,320
<b>Program:</b>				
Total obligations	\$26,448	\$28,803	\$29,600	+\$797
Offsetting collections	-2,055	-2,100	-2,070	+30
Change in unobligated balances	-4,543	-503	0	+503
<b>Budget authority (net)</b>	<b>\$19,850</b>	<b>\$26,200</b>	<b>\$27,530</b>	<b>+\$1,330</b>
Transfer from other account				
Appropriation	\$19,850	\$26,200	\$27,530	+\$1,330
<b>Outlays (net)</b>	<b>\$24,484</b>	<b>\$26,913</b>	<b>\$27,530</b>	<b>+\$617</b>

<sup>1/</sup> Public Law 105-368 provided for the transfer of over 1,200 "H" policies to the National Service Life Insurance account beginning in January 1999.

## Servicemembers' Group Life Insurance (SGLI)

Formerly known as the Servicemen's Group Life Insurance fund, Public Law 104-275 renamed it the Servicemembers' Group Life Insurance fund, effective October 1, 1996. This fund provides insurance coverage for military personnel, reservists, members of the National Guard, Service Academy cadets and midshipmen, and certain ROTC students. Effective April 1, 2001, Public Law 106-419 increased the level of coverage to \$250,000. P.L 107-14 extended coverage to spouses and children of insured members effective November 1, 2001. VA supervises this program. Prudential Financial Incorporated administers it. The fund is entirely self-supporting, except for any costs resulting from excess mortality traceable to the extra hazard of duty in the armed services. It also reimburses the General Operating Expenses appropriation for VA's supervisory expenses.

<i>Workload, Obligations, and Revenue</i> (dollars in thousands)				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
Number of policies in force (EOY)	2,399,500	2,394,000	2,388,000	-6,000
Amount of insurance in force (EOY)	\$582,741,000	\$581,284,000	\$579,831,000	-\$1,453,000
<b>Obligations:</b>				
Premium payments to insurer	\$460,416	\$658,850	\$683,040	+\$24,190
Administrative expenses paid to GOE	520	530	730	+200
Extra hazard liability	288	260	260	0
<b>Total obligations</b>	<b>\$461,224</b>	<b>\$659,640</b>	<b>\$684,030</b>	<b>+\$24,390</b>
<b>Revenue:</b>				
Offsetting collections	\$461,820	\$659,700	\$683,360	+\$23,660
<b>Outlays (net)</b>	<b>\$-330</b>	<b>\$-240</b>	<b>\$490</b>	<b>+\$730</b>
Unobligated balance (EOY)	\$1,336	\$1,396	\$726	-\$670

## **Consolidated Insurance Funds**

### **Program Description**

The following VA life insurance funds have been consolidated for the 2003 budget submission:

- ◆ United States Government Life Insurance (USGLI)
- ◆ National Service Life Insurance (NSLI)
- ◆ Service-Disabled Veterans Insurance (SDVI)
- ◆ Veterans' Reopened Insurance (VRI)
- ◆ Veterans' Special Life Insurance (VSLI)

The five insurance programs included under the Consolidated Insurance Funds group contain over 99.8 percent of those policies administered directly by VA. Each of these funds is operated in basically the same manner but there are some differences. The maximum amount of basic coverage available under any of these programs is \$10,000. However, under the NSLI, VRI and VSLI programs, policyholders can purchase additional protection by electing to use their dividends to buy paid-up additional insurance. The SDVI program is unique in that it insures veterans with service connected disabilities at standard premium rates and, therefore, requires an annual subsidy from the Veterans Insurance and Indemnities appropriation. Each program, excluding SDVI, participates in the distribution of annual dividends. Under each of these programs, except USGLI, waiver of premium protection is offered in the event of total disability at no additional cost. For an additional premium, total disability income provision policy riders are available under all of these programs except SDVI. USGLI policies contain a special provision whereby, in the event of total permanent disability, the policy may be matured and the insured receives the proceeds in monthly installments.

#### **United States Government Life Insurance (USGLI)**

The United States Government Life Insurance trust fund was established in 1919 to receive premiums and pay claims on insurance converted from the War risk term insurance of World War I.<sup>1/</sup>

#### **National Service Life Insurance (NSLI)**

The National Service Life Insurance trust fund was established in 1940 to serve the insurance needs of World War II service personnel and veterans. Issuance of new policies ended in 1951. The trust fund is sustained through premium collections and interest on investments. This is the largest Government administered insurance program.<sup>1/</sup>

**Service-Disabled Veterans Insurance (SDVI)**

The Service-Disabled Veterans Insurance fund is the only VA administered insurance program remaining open to new issues. It was designed as an insurance program for veterans discharged with a service connected disability and provides coverage at standard rates. These individuals might not otherwise be insurable at standard rates due to their disabilities.

Since the fund insures the disabled at standard premium rates, it is not self-sustaining. Periodic payments from the Veterans Insurance and Indemnities appropriation are required to meet current expenditures.

**Veterans' Reopened Insurance (VRI)**

The Veterans Reopened Insurance fund was established on May 1, 1965 and closed on May 2, 1966. It offered veterans, who served between October 8, 1940 and January 1, 1957, the opportunity to obtain permanent life insurance coverage. This coverage was extended only to individuals with service connected or non service connected disabilities who were either uninsurable or who could not qualify for standard rates and were not on active duty at the date of issue of the policy.

**Veterans' Special Life Insurance (VSLI)**

The Veterans Special Life Insurance trust revolving fund was made available for the payment of claims for the insurance program authorized for insurable veterans who served in the Armed Forces after April 24, 1951 and up to January 1, 1957.<sup>1/</sup>

<sup>1/</sup> Authority for the payment of administrative expenses out of excess earnings in these funds is contained in the appropriations bill. This budget assumes that the payment from excess earnings will continue.

## Summary of Budget Request

No action by Congress is required. Budget authority (permanent and indefinite) is made available to the USGLI and the NSLI funds automatically each year by virtue of standing legislation. All obligations of the VSLI and VRI funds are paid from offsetting collections and redemption of investments in U.S. Treasury securities. All obligations of the SDVI fund are paid by transfers from the Veterans Insurance and Indemnities Fund and other offsetting collections.

<i>Summary of Selected Financial and Program Highlights</i> (dollars in thousands)				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
<b>Budget Authority (net)</b>				
NSLI	\$1,239,233	\$1,272,393	\$1,282,980	+\$10,587
USGLI	10,579	10,310	9,500	-810
VSLI	-26,520	-18,850	-9,240	+9,610
VRI	13,216	18,587	20,887	+2,300
SDVI	7,609	7,262	7,150	-112
<b>Total Budget Authority</b>	<b>\$1,244,117</b>	<b>\$1,289,702</b>	<b>\$1,311,277</b>	<b>+\$21,575</b>
<b>Outlays (net)</b>				
NSLI	\$1,221,445	\$1,257,599	\$1,271,190	+\$13,591
USGLI	10,866	11,740	10,930	-810
VSLI	-46,643	-36,134	-23,150	+12,984
VRI	11,707	17,650	20,400	+2,750
SDVI	7,933	8,840	7,160	-1,680
<b>Total outlays (net)</b>	<b>\$1,205,308</b>	<b>\$1,259,695</b>	<b>\$1,286,530</b>	<b>+\$26,835</b>
<b>Number of policies</b>				
NSLI	1,606,590	1,495,800	1,384,620	-111,180
USGLI	14,683	13,040	11,440	-1,600
VSLI	233,335	223,460	212,890	-10,570
VRI	72,581	67,430	62,230	-5,200
SDVI	148,674	145,324	141,730	-3,594
<b>Total number of policies</b>	<b>2,075,863</b>	<b>1,945,054</b>	<b>1,812,910</b>	<b>-132,144</b>

<i>Administrative Resources Supporting Benefits Service Delivery</i>				
	2001 Actual	2002 Estimate	2003 Estimate	Increase(+) Decrease(-)
FTE	507	520	519	-1
Total Obligations	\$40,743	\$42,481	\$46,612	+\$4,131